

## **EXECUTIVE MAYOR OF MTUBATUBA MUNICIPALITY AT THE TABLING OF THE 2013/2014 MTEF DRAFT BUDGET HELD IN THE COUNCIL CHAMBER ON 28 MARCH 2013**

### **INTRODUCTION**

We are gathered here today, to table the 2013/2014 Draft Annual Budget in compliance with the requirements of the Municipal Finance Management Act, Act 56 of 2003.

The 2013/2014 budget was prepared under challenging circumstances. It took a lot of effort and creativity to balance the budget. As we are all aware, we are faced with tough economic scenarios locally, nationally and internationally. The history of financial problems including the deficit on grants and operational expenditure compounded our challenges.

I must mention that as a municipality we have to collectively give attention to the following challenges :

- Lack of effective coordination of services implementation
- Monitoring and evaluation system
- Political will and negative influence on activities of council.
- Allegations of corruption and fraud
- Lack of capacity and transfer of skills
- Continuous negative outcomes of the Auditors General report
- Poor public relations
- Financial management

We are optimistic, honourable members and have improvised solutions to survive the economic hardships in order to continue with the provision of quality services to our communities. It is essential for the municipality to effect systems that will focus on

- Ensuring implementation of fraud and corruption policies
- Vigorous implementation of debt collection policy and continuous monitoring thereof,
- efficient credit control
- implementation of revised supply chain management policy to address the loopholes raised by the Auditor General
- ensuring proper billing of our properties
- cleaning of data used to bill for municipal services
- ensure the correction of inaccurate billing,
- ensure proper contract management
- concerted effort in ensuring speedy payments of service providers especially SMME's

All of these coupled with financial discipline are the pillars that are required for the municipality's financial viability and sustainability.

We are an aspirant Municipality, and as such we need to sustain growth and minimize the risk of undermining our success as a result of under-investment in the much needed infrastructure.

The 2013/2014 MTREF Budget maps out the road to the successful implementation of projects and programmes through sound financial management which is crucial for ensuring the financial sustainability of the municipality. We are obliged to deliver services to our people on a financially sustainable basis, and this, we can only achieve by developing and implementing intervention strategies that enhance continuous improvement in governance and accountability.

For this coming financial year, tough decisions will be taken to ensure that our actions are geared towards improving the lives of many of our poor people. The task ahead, is:

- re-establish ourselves as one of the leading municipalities,
- work with increased determination to tackle the challenges facing our municipality,
- implement projects and programmes that are budgeted for and linked to our IDP,
- disengage from activities that are not our core business,
- monitor and evaluate service delivery progress,
- measure and evaluate performance, and
- make sure that service delivery is prioritized and not compromised.

#### DEVELOPMENTAL OBJECTIVES FOR THE POLITICAL TERM

Our developmental objectives for the current political term, are geared towards the creation of conducive working environment leveling the playing fields so that, as a Municipal Council, we achieve the following:

- Infrastructure provision, maintenance and upgrade.
- Better audit report by 2014.
- Support and strengthen local economic development, fight poverty and underdevelopment.
- Streamlining youth programmes and skills development in order to fight crime at all levels.
- Empower and capacitate ward committees and other structures to ensure their optimum functionality.
- Build viable, integrated and sustainable human settlements.
- Enhance public participation and public relations.
- Strengthen decentralization of services to all areas within the municipality.
- Strengthen partnership and participation with other government spheres, private sector and all stakeholders in developing and improving the service delivery.

The general outcry from our communities with regard to our budget is the following.

- Is our budget addressing properly the needs of our previously disadvantaged communities.
- Are all women given enough opportunities or will continue to be overlooked due to gender prejudice.

Let us not wait for our communities to complain and react later.

We must open our doors of equal access to our communities and win their trust and hope.

.

Our budget must invite Private Sector to join us in investing in the necessary infrastructure provision to meet the basic needs and economic growth of our area. I must remind everybody in this house that as political parties, we represent different constituencies, each one is entitled as any other to enjoy the benefits that will derive from the better society we seek to build with this year's budget.

Let us accept the necessity for change, activate transformation of our society, and avoid the use of the levers of power in our hands to block the process of change.

We cannot ignore the controversy of some of the contracts we have signed for provision of services, of which some duplicate and continue to have an effect on our budget to date and will still continue to be a huge burden until 2014.

We must not allow the phenomenon of uncertainty to be imposed on our thinking as a scare crow that frightens us away from the process of changing the way things were done. Change must come and change must be now.

## Conclusion

Having fully taken up my responsibilities as the Executive Mayor, I can state without any fear of contradiction, that as the servant of the people of Matlosana, the journey that is aimed at bringing about the much needed social, economic and political developments in our are continues. I am overwhelmed by the positive contributions received from the community during our interactions and budget consultation meetings though the attendance to some of the budget meetings was not satisfying. I therefore, once more, pledge my competence and knowledge to this municipality, and will strive to implement and develop the ideal freedom to ensure that adequate services are delivered to our people irrespective of their economic, political or social status.

My appreciation goes to all the officials who participated in the budget process and the compilation of the budget. To fellow councillors – let us not shy away from our oversight role so that each one of us, who is bestowed with a financial responsibility in this institution, is prevented from “taking chances” – spending money irregularly and on nice to haves but direct funds where they are needed most – to the provision of quality services

## OVERVIEW OF THE ANNUAL BUDGET PROCESS

Section 53 of the MFMA requires the Mayor of the municipality to provide general political guidance in the budget process and the setting of priorities that must guide the preparation of the budget. In addition Chapter 2 of the Municipal Budget and reporting regulations states that the Mayor of the Municipality must establish a Budget Steering Committee to provide technical assistance to the Mayor in discharging the responsibilities set out in Section 53 of the MFMA.

### Budget Process Overview

In terms of Section 21 of the MFMA the Mayor is required to table in Council 10 months before the start of the new financial year a time schedule that sets out the process to prepare the Budget. The Mayor tabled to Council the required budget time table on 31 August 2011(The budget time table attached)

### Financial Modeling and key Planning Drivers

As part of the compilation of the 2013/14 MTREF, extensive financial modeling was undertaken to ensure affordability and long-term financial sustainability. The key factors taken into consideration in the preparation of Mtubatuba Municipality's budget were:

Mtubatuba Growth rate

Municipal Strategic objectives as outlined in the Municipal IDP

Inflation rate

The municipal Approved adjustment budget and performance against the SDBIP (2013/14)

The Cash flow management improvement plan

Debt recovery levels

The need for tariff increases versus the ability of the community to pay for services.

Financial recovery plan of the municipality.

### Community Participation

The 2013/14 MTREF as tabled to council on 28 March 2013 for community consultation was published on the Municipality's website, and hard copies were made available at the Municipal libraries (i.e. Mtubatuba town, Kwa-Msane township and St Lucia).

The Annual budget in the appropriate format is submitted to National Treasury and Provincial Treasury and other Provincial Departments in accordance with section 23 of the MFMA.

There were no responses or submissions made by communities were received by the municipality during the consultation process. This was due to the fact that communities were deeply involved prioritization of capital projects thus there were fully aware of the projects that will be appearing on the municipality's budget.

## 2.2. OVERVIEW OF ALIGNMENT OF ANNUAL BUDGET WITH IDP

The constitution of mandates local government with the responsibility to exercise local development and cooperative governance. The abolition of disproportions in South African society can only be realized through a credible integrated development planning process.

The constitution requires local government to relate its management, budgeting and planning functions to its objectives. This gives a clear indication of the intended purposes of municipal integrated development planning. Legislation stipulates clearly that a municipality must not only give effect to its IDP, but must also conduct its affairs in a manner which is consistent with its IDP. The following highlights the IDP's five strategic objectives for 2013/14 MTREF:

### KPA: 1. GOOD GOVERNANCE, COMMUNITY PARTICIPATION AND WARD SYSTEMS

To ensure full participation of communities through established and legislated mechanisms

To ensure that communities and stakeholders at large are informed on the operations of the municipalities affecting their daily lives

To encourage and ensure participation of Traditional Authorities in the affair of the municipality

To recuperate public trust on the municipality by eliminating corrupt activities

### KPA: 2. IMPROVED SERVICE DELIVERY AND INFRASTRUCTURE INVESTMENT

To improve access to basic services, through the provision of adequate free basic water, sanitation and electricity.

To provide and maintain infrastructure (i.e. roads, storm-water system)

To provide and increase access to basic community facilities

To ensure safety and security of the communities

#### KPA 3: SUSTAINABLE LOCAL ECONOMIC DEVELOPMENT

To ensure sound relations and creation of partnerships between the public & private sector through a functional LED forum

Facilitating economic growth and employment creation opportunities (Job Creation)

To facilitate programme aimed at promoting youth empowerment and capacity building for the youth.

To coordinate the promotion and marketing of Mtubatuba Municipality not only as the tourism destination, but also an investment opportunity

#### KPA: 4. TRANSFORMATION AND INSTITUTIONAL DEVELOPMENT

To establish and maintain a working environment that encourages personal growth, development, enrichment and job satisfaction

To promote and implement effective recruitment and retention measures

To ensure sound labour relations; thus attracting skilled workforce.

To promote an effective record keeping through approved archives filing system

#### KPA: 5. MUNICIPAL FINANCIAL VIABILITY AND MANAGEMENT

To ensure financial sustainability of the municipality through effective implementation of the MFMA (2003)

To enhance the municipal revenue and financial capacity

To ensure transparent and fair procurement of goods and services

#### KPA: 6. SPATIAL PLANNING AND ENVIRONMENTAL MANAGEMENT

To promote compact human settlements by ensuring that future settlements occur in an integrated manner

To promote clean, healthy and safe environment through protection of municipality's nature

## Resources

### KPA: 7. SOCIAL DEVELOPMENT

To ensure the empowerment of all vulnerable groups such as: women, children, people with disabilities with particular attention to those that are marginalized or excluded in order to help them develop their capacities and take up opportunities

To ensure safety of road users and community at large

The 2013/14 MTREF has therefore been directly informed by the IDP revision process and the supporting table (SA4, SA5 and SA6) provide the reconciliation between the IDP strategic objectives and operating revenue, operating expenditure and capital expenditure.

### 2.3. MEASURABLE PERFORMANCE OBJECTIVES AND INDICATORS

The aims of performance management are to provide practical and user friendly tools to measure and evaluate the performance of any organization on an ongoing basis and for an annual review.

In order to achieve the above, the overall strategic objective of the performance management system is to improve the performance of municipalities, using tools such as:

Measuring and gathering data and information and ordering such into a format which will guide decision - making;

Setting and adhering to time frames;

Creating report-back, review and evaluation mechanisms;

Ensuring the development of political, administrative and financial accountability and trust between all role players;

Encouraging the culture of accepting and managing change where needed; and

Developing early warning signals regarding any internal or external threats, financial viability, and capacity of the municipality to fulfill its constitutional and developmental mandates and for meaningful and timeous intervention.

### 2.4. OVERVIEW OF BUDGET RELATED-POLICIES

Mtubatuba Municipality has reviewed the following policies and amendments were made for the policies to be aligned with relevant legislation, frameworks, strategies and related policies:

- Credit Control and Debt Collection policy
- Asset management policy (i.e. including infrastructure investment, Disposal and funding thereof)
- Indigent policy
- Cash management and investment Policy
- Municipal Property Rates Policy
- Telephone usage policy
- Subsistence and allowance policy
- Supply Chain management policy

## 2.5. OVERVIEW OF BUDGET ASSUMPTIONS

General inflation outlook and its impact on the municipal activities

There are key factors that have been taken into consideration in the compilation of the 2013/14 MTREF:

National Government macro-economic targets

The general inflationary outlook and the impact on Mtubatuba Municipality's residents and businesses;

The impact of Municipal cost drivers;

The increase in the cost of remuneration. Employee related costs comprise 48 per cent of total operating expenditure in the 2013/14 MTREF. The wage agreement between SALGBC and Unions were still not finalised during the preparation of the final budget, and therefore 6.5 per cent was used for salaries.

Collection rate for revenue services

The base assumption is that tariff and rating increases will increase at a rate higher than CPI over the long term. The rate of revenue collection is currently expressed as a percentage of annual billing. Cash flow is assumed to be 74 per cent of billing plus an increased collection of area debt from long outstanding debts. This assumption was arrived after the municipality has undertaken a root of putting more efforts to collect from debtors. The financial recovery plan of the municipality shows that the municipality will concentrate on bringing more money to the municipality.

Increase in Property Rates (6.5%)

The municipality has increased property rates more than the inflation rate; this is due to the fact that the municipality wanted to cover the anticipated increase in salaries for 2013/14 MTREF. One of the reasons that the municipality opted to cover the portion of salaries through property rates is due to shortfall from the previous year.

Increase in other Services (6.5%)

The municipality to slowly come close to breakeven the trading services it was imperative that the increase of 6.5 per cent is implemented. Also consideration of the increase in the cost of provision of service which increase during the every year (e.g. price of petrol), the municipality recognizes the importance of cost coverage.

Decrease in Other own revenue

The municipality has implemented the more consecutive approach of budget, thus any unexpected revenue shall then be incorporated in the adjustment budget. The line items included in the other own revenue is having lot uncertainties so the approach mentioned above is more convenient and will make the municipality to budget on more realistic figures.

## 2.6. OVERVIEW OF BUDGET FUNDING

The municipality will fund its operating expenditure for 2013/14 MTREF through the following sources of revenue:

Name of Funding	Amount	%
	'000	' 000
Property rates	23 180	22
Service Charges	7 949	8
Investment Revenue	300	0
Transfers recognized- Operational	66 739	63
Other own revenue	7 111	7
<b>Total</b>	<b>105 279</b>	<b>100.0</b>

Revenue to be generated from property rates is R 23 million in 2013/14 financial year and it was increased by 23 per cent and represents 22 per cent of the operating revenue of Mtubatuba Municipality. This is because the municipality is in the process to appoint the municipality attorneys that will be responsible for debt collection.

The service charges comprise of refuse removal service and security charges (St Lucia special levy). Service charges were increased by 23 per cent in the 2013/14 financial year and represents 8 per cent of the operating revenue.

Investment revenue contributes the least to the revenue base of the Municipality with the budget allocation of R300 000. It needs to be noted that the municipality is currently struggling financially all funds anticipated by the municipality will be 100 per cent utilized during the financial year and there won't be any new investments except the existing R310 000.

Operating grants and subsidies amount to R 66 739 000 million and contribute the major (63%) part of the operating revenue of the municipality. The breakdown of the operational grants is as follows:

Equitable share	R 60 744 000
Financial Management Grant	R 1 650 000
Municipal Systems Improvement Grant	R 890 000
Library Grant	R 2 215 000
Library Support	R 240 000
Extended Works Programme	R 1 000 000

Other own revenue contributes 7 per cent of the operating revenue of the municipality and it comprises of revenue from these sources:

Licences and Permits	R 2 420 000
Traffic fines	R 306 000
Rental of Municipal facilities	R 105 000
Interest from outstanding debtors	R 4 067 000

The above is total revenue excluding capital transfers.



**The capital budget of R 33 498 000 is funded by:**

Municipal Electrification Programme	R 8 000 000
Municipal Infrastructure Grant	R 25 498 000

An allocation has been made on our MIG funding to set up our much needed PMU unit, which has negatively impacted service delivery for a number of financial years.

The draft budget will undergo final public consultation process with the draft IDP and undergo Treasury and CoGTA reviews before the final budget is compiled by end of May 2013.